

Efficient regional transport network a key to winning FDI

Current national and international transport links by road, rail, water and air are inadequate to ensure that the Asian market-places are within everyone's reach. A forward-looking strategic vision by governments is thus needed to integrate transport networks within national borders and at the regional and international levels to meet the challenges of the new millennium.

In order to make the best out of the globalization process, people, goods and vehicles must all be able to move with minimal technical and procedural obstacles from a village to the city and from one city in one country to another city in another country. This implies the development, operation and maintenance of a coherent transport system integrating all modes of transport across Asia. Apart from physical integration of infrastructure development, such integration requires the smooth transfer between different transport modes through technical standardization measures. Such integration also requires the introduction and enforcement of trade and transport facilitation measures to make optimum use of the physical linkages and ensure smooth mobility of goods and passengers across national boundaries.

Countries which are well connected with the neighbouring countries by efficient transport system, are better placed to attract FDI, compared to those which have poor links. Investors always look for opportunities to trade in intermediate goods or in sourcing of components or raw materials to maintain competitiveness. Efficient and integrated system therefore plays a key role in attracting FDI.

Identification of road and rail networks and their formalization by relevant countries can be considered as a first step towards establishing an Asian land transportation system. The experience with ALTAID indicates that identification of the links with the consent of governments is one of the hardest tasks in establishing regional transport networks. The Asian Highway, for example, has been put in place literally link by link. It required diplomacy, technical know how, and all the good will that UN-ESCAP had generated with member governments over a long period of time.

The task that lies ahead is formidable, and challenging. Collectively we need to put in place the legal framework that would formalize the networks identified by UN-ESCAP. Concerned countries need to obtain finances to complete the missing links already identified, and upgrade the substandard road and rail infrastructure. There is also an important task of facilitating the movement of goods and passengers along the identified roads and railway links leading to operationalization of the network.

In the following sections I would like to share with you some of my thoughts on how we can address these important challenges.

Need for a Vision and a Political Will

Experiences from elsewhere have clearly shown that political differences need not foreclose the establishment of full commercial and economic relations. We all know that such relations exist even in the absence of diplomatic recognition. In fact, stronger economic ties, once established, can themselves be the building blocks for increasing understanding at political, cultural and social levels, which in turn give impetus to further development and consolidation of such economic ties. For example: the member countries of the Andean Community (Bolivia, Colombia, Ecuador, Peru and Venezuela) in Latin America – despite instability of political regimes and border conflicts or frictions – have managed not only to increase trade among themselves. But also to achieve important progress towards multidimensional integration. To achieve similar progress in Asia, and make best use of the globalization process, countries concerned need to have a forward-looking strategic vision for regional integration of their transport systems, supported by bold political decisions and commitment that looks forward rather than backward.

In this context, countries need to strengthen regional cooperation at Track II level as well, meaning more and more people-to-people contact, strengthening the role of civil society, and the like. These groups when convinced of the need for economic cooperation, could create tremendous pressure in moulding political will for transport integration.

Creation of Economic Complementarities

The ongoing processes of globalization and liberalization of national economies, has greatly altered the locational patterns of production and processing activities and new international markets have been created. In order to serve these markets and pattern of traffic, there is a need to have an integrated transport system.

An integrated transport system at the subregional/regional/interregional level can be economically and politically sustained only if there are relatively even flows of traffic on a reciprocal basis. Since traffic flows are derived from underlying economic activities, a greater balance in the distribution

of trade-generating activities among the regional countries becomes an important issue in promoting transport integration. When investment activities take place in the private sector, there can be a planned approach to this issue through bilateral and multilateral cooperation. With an increasing role being given to the private sector in investment decisions, there is now a strong need for greater collaboration with the private sector as well in promoting trade-creating complementarities in the production structures of the regional economies. To this end, closer cooperation among Chambers of Commerce and Industries should be further encouraged leading to joint ventures and other forms of cooperative investments.

c) Addressing deficiencies in infrastructure and services.

In the course of upgrading the infrastructure network to the required minimum standard for efficient international transport, member countries may have to address a number of deficiencies which may include missing links, missing or substandard bridges, ferry crossing, poor condition or lack of capacity of infrastructure, break of gauge, absence of or inadequate way-side facilities and other services facilities etc. To address these deficiencies, concerned countries may need to undertake, if not already done, corridor studies, environmental impact assessment and economic viability studies.

While the available infrastructures could perhaps cater to the present, relatively modest level of international traffic in the short run, a forward looking strategic vision needs to be developed to prepare for the newly generated as well as diverted international traffic. Since international movement usually takes place along certain selected routes, such routes/corridors need to be studied in detail not only to determine both physical and non-physical barriers but also to take appropriate remedial measures.

Involvement of the private sector

Adequate financing is crucial to the development and upgrading of international routes. International financing institutions such as the World Bank, the Asian Development Bank, the Islamic Development Bank (IDB) and the Overseas Economic Cooperation Fund (OECEF), Japan and several European countries have been providing loans for highway/railway upgrading in Asia. There is however, vast gap between investment requirements and available financial resources. This has created the need to search for alternate sources. To address this issue, many governments have begun to focus their attention on private sector resources to develop transport infrastructure. New approaches such as public-private partnership through arrangements like BOT/BOO need to be explored more seriously for the purpose.

The success of involving the private sector largely depends on the creation of a conducive and favourable environment and an institutional framework for the private sector. A host of support activities and policies need to be introduced by national governments. These actions may include domestic policy and legal system reforms, restructuring of existing public transport agencies, and creation of new regulatory regimes to protect social and environmental interests at large.

The integration of the Asian transport networks in fact would largely involve a reintegration of existing infrastructures requiring minimum commitment of economic resources except for a few stretches of missing links, the economic payoff from such reintegration could be correspondingly very high. As regards the political impediments to such integration, the Asian countries can draw relevant examples from other regions where mutually beneficial economic exchanges are taking place in spite of political differences.

The integration of Asian transport networks cannot be sustained in vacuum. In order to ensure that all Asian countries benefit from such integration, attention needs to be given to the question of more balanced trade flows among these countries based on the development of greater complementarity among their economies. Increasing cooperation in the form of joint ventures among the Asian entrepreneurs could help achieve this objective.

A process of awareness creation has to be started as well to improve facilitation measures at the border crossing. There exist a number of international conventions for facilitation of transport, and the accession to such conventions is essential. In addition, adoption of Transit Transport Framework Agreement (TTFA) at subregional links could also go a long way to resolve facilitation problem.

The establishment of an integrated Asian transport system would need huge capital investments not only for upgrading the identified routes and completion of missing links, but also for several supporting way-side facilities to ensure efficient and safe movement.

(Excerpts from the speech by Dr M Rahmatullah, former Director of the Transport Division, UN-ESCAP, and now Programme Director, T&C Centre for Policy Dialogue, to be delivered at today's ICC Asia Conference.)

Asian strategies for long-term oil and gas supply



Today's developing and developed Asian economies are increasingly reliant on energy for industrial growth. As the fuel tax protests in Europe in September this year forcefully demonstrated, the cost, security and continuity of energy supplies are now all critical factors.

The developing economies are particularly vulnerable to high oil prices – as today's rapidly-rising import bills reveal. Increasing volatility in energy prices is also contributing to the difficulties – for governments and companies.

Clearly indigenous resources have to be developed and access to imports has to be ensured. This two-pronged approach is both logical and, to a great extent, the pattern we see

people realize that having a resource is only part of the story. It has to be developed, and made use of, in order to gain value and garner economic benefits.

Similarly, international energy companies, such as Shell, are being forced to adapt rapidly in a fast-changing market place. Stock markets have become global and investors' expectations have risen. In earlier decades investors would compare one oil company with another. Today they compare the returns generated by energy companies with those created by software or telecom companies.

As a result, energy company capitalisations are relatively low. As a group, we haven't kept up with value creation in other industries in the last ten years. That means our access to capital is, relatively speaking, constrained. As with the resource owning governments, we have learned that having the assets is NOT enough. They have to be worked. Using our knowledge to create products and meet customer needs is the way to create value.

Asian energy demand

Predicting demand patterns is marginally easier than predicting prices. Here we have the US Department of Energy's outlook for energy demand in Asia – looking out 20 years. There are no real surprises here. Demand in the developed economies is likely to be flat, that in the developing economies rising rapidly. If this outlook proves correct, by 2020 China will be the single most important energy market in the world.

For a variety of reasons, today I am going to concentrate on the prospects for gas.

Asian gas demand

Within Shell we use a scenario system to try to assess trends. Over the years, because of the volatility in our industry, we have found long-term plans to be virtually useless. So, we use scenarios to broaden our thinking about the different ways in which developments may play out.

This chart describes the effects of different assumptions on gas demand in the region. One scenario is called power – PP – the other the new game – TNG. Broadly speaking globalisation sweeps all before it in the new game. In people power various groups and regions maintain diverse market structures.

In the medium term – to 2010 – the difference is relatively slight. Under both scenarios, gas demand grows by a factor of about two to two-and-a-half.

In the longer term, differences are more marked. But, I think the key message for us is really isn't the differences, it is the similarities. Whatever way things go, regional gas demand grows strongly.

Maximising own resources

This is likely to lead to governments becoming more re-

ceptive to the idea of international co-operation in order to facilitate cross-border undertakings – such as pipeline networks.

The comprehensive development of indigenous resources is urgent. In summary, the steps necessary to achieve that are:

Potential Asian gas infrastructure

Looking to Asia, where distances are even larger, it is possible to map out how a similar process could evolve here. An increasing network of fields in places as far apart as Iran, western China and the Philippines could be tapped as a pan-continental gas transport system evolves in the coming years.

At present this network is only notional. But, as developments in Europe indicate, if there are real markets – and the political will is in place – the physical pieces can be put together fairly quickly.

The engineering challenges are real – but if the right political and market frameworks are in place – the physical challenges can be overcome. A computer without software is a useless piece of plastic and wires. The software required to develop extraordinarily extensive networks. These stimulate economic growth and tie suppliers in to demand centers – building security for both sides.

Major pipelines Iran-India, Russia-China, Sakhalin-Japan, Bangladesh-India have been discussed for years and all have clear economic merit.

The difficulty, of course, is both the cost and the time that such networks take to evolve. That is the reason LNG shipping has been the gas transport system of choice in SE Asia for the last 20 years. LNG shipping is now truly global. Shell is moving product into Europe, through Spain, into the US, through the Gulf of Mexico and also the North East and into the traditional markets – Korea and Japan.

Terminals are now being developed in India, Brazil and China.

Given the technological difficulties involved it is sometimes a bit surprising that this technology has become so dominant. However, when the difficulties on the other side – of building pipeline networks are compared – the drivers become clearer.

LNG shipping directly links producers with consumers – avoiding transit countries. Both consumers and producers are free to change trading partners if things don't work out.

This allows investments in different parts of the chain. It isn't necessary to take on the whole load in one bite – companies can pick and choose where they have special skills to contribute and where they want to invest.

The amounts involved are still huge – by any estimate: billions of dollars in each project. But there a much greater degree of flexibility and there is also the ability to trade off much of the risk.

In contrast pipeline systems require clear political will from producers, consumers, and transit countries.

(Excerpts from the speech of Andrew Vaughan, MD, Shell Bangladesh Exploration and Development BV, at today's ICC Asia Conference)

Government of the People's Republic of Bangladesh

Office of the Executive Engineer,
PWD Division, Moulvibazar

Notice Inviting Tender

Tender No 17/M-2 of 2000-2001

Sealed tenders are invited in Bangladesh Form No 2911 for the undermentioned work as per terms and conditions stated below:

- Name of work : Construction of Co-operative Zonal Institute at Moulvibazar. Under the Scheme Physical Infrastructure Development of Eight Co-operative Zonal Institute (Sub-Head): Construction of Guide Wall & Sandfilling of Internal approach Road).
- Estimated cost : Tk 2,36,208/-
- Earnest money : Tk 4,725/-
- Time allowed for completion of the work : 60 (sixty) days.
- Price of tender schedule : Tk 425/- per set (non-refundable).
- Place of selling & receiving tenders : Office of the undersigned and as well as by the Executive Engineer, PWD Division on, Sylhet/Sunamganj/Habiganj under PWD Circle, Sylhet.
- Last date of selling tender : During office hours up to 21/11/2000.
- Eligibility of contractors/firm to compete in the tender : (a) Special Class-I, Class-I (combined) and Class-I approved building contractors of PWD & Class-II (Two) approved bldg. contractors, Chittagong PWD Zone, Chittagong, Class-III approved bldg. contractors of Sylhet PWD Circle, Sylhet & Class-IV approved bldg. contractors of PWD Division, Moulvibazar.
- Date of receiving and opening tender : Up to 12.00 Noon of 22/11/2000 and opened on the same day at 12.15 PM.
- Lottery applicable where : If more than one tenders are received having same rates stand lowest, selection will be made by lottery to be held on 30/11/2000 at 12.30 PM in office of the undersigned in presence of intending tenderers who like to be present.
- The undersigned reserves the right to accept or reject any or all the tenders without assigning any reason.

Md Abdur Rob
Executive Engineer
PWD Division
Moulvibazar

WTO, trade liberalisation and concerns of developing World

How can it help market integration and economic growth?

by Dr Toufig Ali

When one refers to globalization, the most common yardstick for its measurement is trade liberalization. Interestingly, the proportion of trade to GNP was much higher at the turn of the last century, than it is now. Yet, there are qualitative differences to trade liberalization in our current phase of globalization. Some of these changes may be attributed to an attempt to create a rule-based trade regime, principally through the WTO. Many would find that the differences arise principally from the fundamental changes in technology and communications that our age is experiencing. Clearly, and there appears to be agreement on this, we have entered a new era in which there are immense opportunities. The question being asked is whether the developing countries can obtain an equitable share in the anticipated benefits.

Trade expansion
One immediate impact of trade liberalization should be trade expansion. Developing countries, as a whole, have increased their exports at a remarkable pace in the last two decades. This increase has not been even, with some countries experiencing more growth in exports than others. However, taken together, developing countries have not fared as well as the industrialized countries.

Between 1980 and 1996, world exports have increased at 288 per cent, but the increase of exports of the developing countries has been only 249 per cent, and the high-income countries accounted for an increase of about 304 per cent. Clearly, if exports are taken as an indicator, the high-income countries have managed to expand their trade much more than the low and middle-income countries during this phase of trade liberalization.

During the period under consideration, most developing countries have undertaken major structural adjustment programmes. The results would appear more alarming if one took into consideration the fact that the aggregate data of developing countries would be heavily skewed by major exporting countries such as China, Malaysia, India, Thailand, South Korea. Analyses of discrete periods, far apart, provide only an indication of the trends. Of course, a more rigorous analysis would be useful in establishing clear patterns. What is apparent is that trade liberalization does not necessarily yield greater exports in the short run.

Trade and investment
In order to benefit from trade liberalization, investment is required within the country to produce the goods to be exported. The rate of growth of investment in selected countries is quite illuminating. Developing countries display a marked divergence in the rate of growth of investment between 1990-97, gross domestic investment grew at a rate only little over 7 per cent in the low and middle-income countries. Countries such as China and Malaysia exhibit cosmetic investment growth rates of about 14.1 per cent and 15.1 per cent respectively. Bangladesh is also in the category of high investment growth rates, with about 13.4 per cent. The growth will

Trade and growth

The period of trade liberalization differed from region to region and, even within a region, from country to country. In general, most programmes commenced in the 1980s, and developed steam in the 1990s. If liberalization should result in higher growth rates, the countries undertaking the reforms should have demonstrated higher growth rates in the 1990s.

It was only in Asia and Latin America that the growth rates demonstrated some increase during the period of trade liberalization. However, Asia is a large region, and there are marked variations within the region. With the sharp lowering of population growth rates in most developing countries, one would expect per capita GNP growth rates to rise in the 1990s. The key question is whether the difference between the developed and developing countries in the per capita income is narrowing over time.

There are several studies that have attempted to find the correlation between trade liberalization and growth. In a paper produced by the WTO in 1999, titled "Trade, Income Disparity and Poverty", the authors find that "... income gaps between the majority of countries appear to be growing over time."

Conclusion

Advances in technology and telecommunications have transformed the world into a global village. Yet, only those countries that have appropriate expertise and resources can take advantage of the opportunities. For the rest, including Bangladesh, the "digital divide" is increasing day by day. The industrialized G8 has acknowledged this problem in the last G8 Summit in Okinawa. Obviously, it will not be in the greater interest of all to allow some countries to lag behind while others gallop ahead.

Government of the People's Republic of Bangladesh

Local Government Engineering Department
Office of the Executive Engineer
Lalmirhat

Invitation for Bids IFB No 10/2000-2001

Memo No. LGED/XEN/Lal/T-11/2000/2513;
IFB No: 10/2000-2001

Date: 29/10/2000
Date: 29/10/2000

Credit Name: Municipal Services Project.

- The People's Republic of Bangladesh received a credit from the International Development Association (IDA) in various currencies towards the cost of Municipal Services Project (MSP) & intends to apply of the credit proceeds to cover eligible payments under the contracts for Flood Damage Rehabilitation Components of Project.
- The Executive Engineer, Local Government Engineering Department (LGED), District Lalmirhat invites sealed bids for construction/reconstruction and completion of works listed below. This invitation for bids is open to all bidders enlisted with LGED in addition, foreign bidders are eligible to bid without this enlistment but if awarded contract, would be required to enlist with LGED, furthermore, when enlistment is done at district level, Bangladesh contractors enlisted with LGED in other district are also eligible to bid. Procurement is open to all bidder from eligible source countries as defined in the IDA's Procurement Guideline. However, countries not